

Message Text

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INFO ALL NATO CAPITALS

USCINCEUR

C O N F I D E N T I A L STATE 179556

E.O. 11652: GDS

TAGS: NATO, AWACS, MILI

SUBJECT: NATO AIRBORNE EARLY WARNING (AEW): PROCUREMENT

-- FUNDING

REF: USNATO 3717, DTG 011401Z JUL 76

1. PURSUANT TO DECISIONS OF JUNE 10-11 DPC MINISTERIAL MEETING, NATO ASYG LABERGE IS CURRENTLY CONSULTING WITH MAJOR ALLIES INDIVIDUALLY ON FRAMEWORK FOR AFFORDABLE JOINT AEW PROCUREMENT PROPOSAL FOR FURTHER REFINEMENT IN BRUSSELS IN LATE SUMMER/EARLY AUTUMN. IN OUR JUDGMENT, PROPOSAL WILL INVOLVE ACQUISITION OF 25-27 AIRCRAFT, WITH SOME NATO CONFIGURATION DIFFERENCES FROM THE VERSION
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OF THE US AWACS NOW ENTERING PRODUCTION. PROCUREMENT

COSTS WOULD BE ON THE ORDER OF DOLS 2.4 BILLION IN CURRENT DOLLARS. WE EXPECT US,FRG, UK AND CANADA TO BEAR SOME DOLS 2.08 BILLION OF THESE COSTS, BUT WE WILL ALSO NEED SUPPORT FROM OTHER ALLIES TO MAKE UP PROCUREMENT SHORTFALL OF APPROXIMATELY DOLS 320 MILLION IF PROJECT IS TO SUCCEED. PURPOSE OF THIS MESSAGE IS TO REQUEST EMBASSY VIEWS ON APPROACH TO ITALIANS AND ON INDUCEMENTS THAT COULD HELP TO PERSUADE ITALIANS TO JOIN IN PROCUREMENT FUNDING OVER FIRST 6-8 YEARS OF PROGRAM. WE ARE TAKING SIMILAR ACTION WITH EMBASSIES OSLO, AND BRUSSELS.

2. WE CONTINUE TO BELIEVE THAT COST OF FULL AEW PROGRAM (ON THE ORDER OF DOLS 3.5 TO DOLS 4 BILLION, INCLUDING 15-YEAR OPERATIONS) MUST BE EQUITABLY SHARED AMONG ALL ALLIES EXCEPT ICELAND AND THAT NO SINGLE ALLY SHOULD BE ASKED TO BEAR A DISPROPORTIONATE SHARE OF AN EFFORT THAT WILL ENHANCE THE SECURITY OF ALL. THUS COUNTRIES THAT DO NOT BEAR THE FRONT-END COSTS OF PROCUREMENT WILL BE ASKED TO PAY THE BULK OF LATER OPERATIONS AND SUPPORT BUDGET OF ABOUT DOLS 100 MILLION PER YEAR. (FYI: SENIOR FRENCH REPS HAVE INFORMED US THAT FRANCE IS PREPARED TO SHARE IN THESE OPERATIONAL COSTS. END FYI)

3. ACCORDING TO NATO AEW PROGRAM OFFICE FORMULA FOR EQUITABLE SHARING, ITALIAN SHARE OF TOTAL PROGRAM COST WOULD BE 6.5 PERCENT, OR UP TO DOLS 260 MILLION OVER THE PROJECTED 15-YEAR LIFE CYCLE OF THE SYSTEM. WE WOULD HOPE THAT ITALIANS COULD CONTRIBUTE SOME DOLS 150M, ONE-HALF TO TWO-THIRDS OF THEIR TOTAL FUNDING SHARE, TO PROCUREMENT FUNDING DURING FIRST 6 TO 8 YEARS OF PROGRAM.

4. WE RECOGNIZE THAT THERE ARE DIFFICULT IMPEDIMENTS TO EARLY ITALIAN AEW CONTRIBUTION, AND THAT COMBINATION OF CONTINUED PERSUASIVE EFFORTS AND INDUCEMENTS WILL BE REQUIRED. WE OFFER BELOW FOR EMBASSY COMMENT SOME INITIAL SUGGESTIONS FOR DEALING WITH THESE DIFFICULTIES:

A. BALANCE OF PAYMENTS EFFECT -- INDUSTRIAL COLLABORATION-
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TION IN AEW PRODUCTION COULD PROVIDE UP TO 33 PERCENT OFFSET FOR ITALIAN CONTRIBUTION TO NATO AEW, AND SUBSEQUENT O AND M EXPENSES PAID FOR IN ITALY COULD SIGNIFICANTLY INCREASE OFFSET BEYOND THIS, PARTICULARLY IF A FORWARD OPERATING BASE WERE LOCATED ON ITALIAN TERRITORY. ADDITIONAL OFFSETS WITHIN AEW PROGRAM COULD ONLY BE ACHIEVED AT THE EXPENSE OF INDUSTRIAL COLLABORATION ELSEWHERE, WHICH WOULD DIMINISH ACCEPTABILITY OF PROGRAM TO

OTHER ALLIES. HOWEVER, TAKING INTO ACCOUNT PROSPECT OF CONTINUING ITALIAN EXCHANGE PROBLEMS, WE WOULD BE WILLING TO CONSIDER ANY MEANS TO OFFSET NET BOP OUTFLOW AS RESULT OF AEW.EMBASSY SUGGESTIONS INVITED.

B. COMPETITION FOR MILITARY PROCUREMENT RESOURCES -- EMBASSY HAS REPORTED THAT DRAFT LAWS NOW CONTAIN PROVISION ONLY FOR GROUND-BASED AIR DEFENSE

IMPROVEMENTS. AS WE UNDERSTAND IT, ADDITIONAL DIFFICULTY WITH INCLUDING NATO AEW IN LAWS IS THAT FUNDS ARE INTENDED FOR EXPENDITURE IN DOMESTIC ITALIAN ECONOMY. WE WOULD WELCOME EMBASSY COMMENT ON POSSIBILITY OF INCLUDING IN DRAFT LAWS THAT PORTION OF ITALIAN AEW PROCUREMENT CONTRIBUTION THAT WOULD BE OFFSET BY INDUSTRIAL COLLABORATION IN ITALY, AND INCLUSION OF REMAINDER OF CONTRIBUTION IN ANNUAL DEFENSE BUDGETS.

C. AEW COVERAGE OF SOUTHERN FLANK -- WE QUESTION STATEMENT BY DEFENSE MINISTER FORLANI AT DPC THAT A GOOD PORTION OF SOUTHERN FLANK WILL NOT BE COVERED BY NATO AEW. IN NORMAL PERIODS ALL ALLIED EUROPEAN TERRITORIES WILL RECEIVE PERIODIC AEW COVERAGE. IN THE SOUTHERN REGION AEW MISSIONS WOULD PROVIDE DEEP LOOK SURVEILLANCE AND LONG RANGE WARNING OF SOVIET/PACT AVIATION MOVEMENTS AGAINST NATO NAVAL FORCES, MONITOR ACTIVITIES OF THE SOVIET BLACK SEA FLEET FROM TURKISH AIRSPACE, MAINTAIN SURVEILLANCE OF YUGOSLAVIA FROM THE ITALIAN PENINSULA AND MAINTAIN KNOWLEDGE OF NAVAL ACTIVITIES IN MEDITERRANEAN AREAS WHERE 6TH FLEET FORCES ARE NOT AVAILABLE. -- GIVEN THAT TWO OF SACEUR'S VITAL AREAS ARE IN THE SOUTHERN REGION, A SIGNIFICANT PERCENTAGE OF AEW ASSETS WILL BE DEVOTED TO CONFIDENTIAL

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THIS REGION. A FORWARD OPERATING LOCATION IN ITALY WOULD FACILITATE MORE FREQUENT AND LONGER PATROLS. FURTHERMORE, THE VULNERABLE AND SPARSE CHARACTER OF THE NADGE IN THE SOUTHERN REGION AND THE LACK OF A PROLIFERATED SAM DEFENSE -- COMBINE TO MAKE AN AEW - INTERCEPTOR TEAM AN EVEN MORE IMPORTANT FACTOR AGAINST HOSTILE AIR ATTACK THAN IS THE CASE IN THE CENTRAL REGION.

5. THUS WE BELIEVE THE AEW FORCE SIZE NOW BEING CONSIDERED CAN MEET MAJOR NEEDS FOR PEACETIME/CRISIS SURVEILLANCE AND DEEP LOOK PROTECTION FROM NAVAL AND AIR THREATS IN THE SOUTHERN REGION. WE FURTHER BELIEVE THAT, WITH JUDICIOUS FORCE MANAGEMENT, SACEUR WOULD ALSO HAVE SUFFICIENT ASSETS TO SATISFY CRITICAL WARTIME REQUIREMENTS

IN THE SOUTHERN REGION. WE WOULD APPRECIATE EMBASSY'S
VIEWS ON THE ABOVE AND OTHER EMBASSY SUGGESTIONS FOR
MEANINGFUL INDUCEMENTS BY WHICH WE MIGHT PERSUADE THE GOI
OF ADVANTAGES TO ITALY OF AN EARLY CONTRIBUTION TO THE
NATO AEW PROCUREMENT PROGRAM. KISSINGER

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